Centre Number			Candidate Number		
Surname					
Other Names					
Candidate Signature					



General Certificate of Education Advanced Level Examination June 2015

Accounting

ACCN3

Unit 3 Further Aspects of Financial Accounting

Monday 8 June 2015 9.00 am to 11.00 am

For this paper you must have:

a calculator.

Time allowed

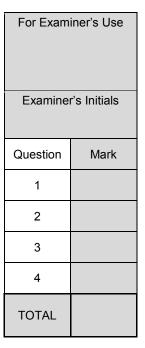
• 2 hours

Instructions

- Use black ink or black ball-point pen.
- Fill in the boxes at the top of this page.
- Answer all questions.
- You must answer the questions in the spaces provided. Do not write outside the box around each page or on blank pages.
- All workings must be shown and clearly labelled; otherwise marks for method may be lost.
- Do all rough work in this book. Cross through any work you do not want to be marked.

Information

- The marks for questions are shown in brackets.
- The maximum mark for this paper is 90.
- Four of these marks will be awarded for:
 - using good English
 - organising information clearly
 - using specialist vocabulary where appropriate.





Answer **all** questions in the spaces provided.

1

Total for this question: 20 marks

Green and Brown are in partnership. They did not have a formal partnership agreement.

The following balances were extracted from the books of account for the year ended 30 April 2015:

	£	£
	Green	Brown
Capital accounts at 30 April 2015	73 800	58 900
Current accounts at 1 May 2014	8 865 Dr	7 092 Cr
Drawings for the year	22 000	18 000
Partner's loan account	8 000	-

Drawings accrue evenly throughout the year. Green made the loan to the partnership in 2013. No repayments have been made on the loan account.

From 1 August 2014, White was admitted into the partnership. White introduced £25 000 in cash and a motor vehicle valued at £18 800.

No adjustment is to be made for goodwill and there will be no revaluation of assets.

A partnership agreement was prepared on the introduction of White. The terms were as follows:

- (1) Interest on capital accounts to be allowed at 4% per annum.
- (2) Interest on drawings to be charged at 3% per annum.
- (3) Interest on the loan account to be charged at 2% per annum and recorded in the current account.
- (4) White to be paid an annual salary of £11 900.
- (5) White not to take any drawings during the year ending 30 April 2015.
- (6) Profits and losses to be split between Green, Brown and White in the proportion 40%, 35% and 25% respectively.

The draft profit for the year ended 30 April 2015 was £60 000 before interest was charged on Green's loan. Profits before interest accrue evenly throughout the year.

1	(a)	Prepare the partnership appropriation account for the 9 month period 1 August 2014
		to 30 April 2015.

[11 marks	ſ	11	l r	n	а	r	k	s	1
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Workings			



 Question 1(a) continues on the next pag	e



Appropriation account for Green, Brown and White for the period 1 August 2014 to 30 April 2015

£	£



1 (b)	Prepare the current accou	unt for Greer	n for the year ended 30 April 2015.	[9 marks]
	Workings			
Dr	Gro	een's currei	nt account	Cr
	Details	£	Details	£



Total for this question: 23 marks

Farah, a retailer, did not keep a full set of accounting records for her business. However, the following information was obtained for the year ended 31 March 2015.

Balances at 1 April 2014:

2

	£
Insurance paid in advance	725
Inventory	6 750
Light and heat accrued	480
Non-current assets at net book value	22 670
Trade payables	1 960
Trade receivables	3 540

Dr Bank account Cr

Details	£	Details	£
Receipts from trade receivables	26 820	Bal b/d 1 April 2014	3 785
Proceeds from the disposal of non-current assets	4 275	Payments to trade payables	21 650
Bal c/d 31 March 2015	9 770	Insurance	7 735
		Light and heat	2 695
		Drawings	5 000
	40 865		40 865

Farah has started to prepare the financial statements for the year ended 31 March 2015. The following figures are available to be transferred to the income statement:

	£
Purchases	30 310
Insurance	8 290
Light and heat	3 460
Loss on disposal	375

Additional information:

- (1) There were no additions of non-current assets during the year.
- (2) Non-current assets are to be depreciated at 25% using the reducing balance method.
- (3) All sales and purchases were on credit.
- (4) No physical stocktake was carried out on 31 March 2015. However, inventory was valued at £8 100 on 5 April 2015.
- (5) Between 31 March 2015 and 5th April 2015, the following transactions took place: goods were sold for £8 250; goods were purchased for £4 950.
- (6) All sales are calculated at cost plus 20% mark-up.
- (7) There was no other income and there were no other expenses during the year.

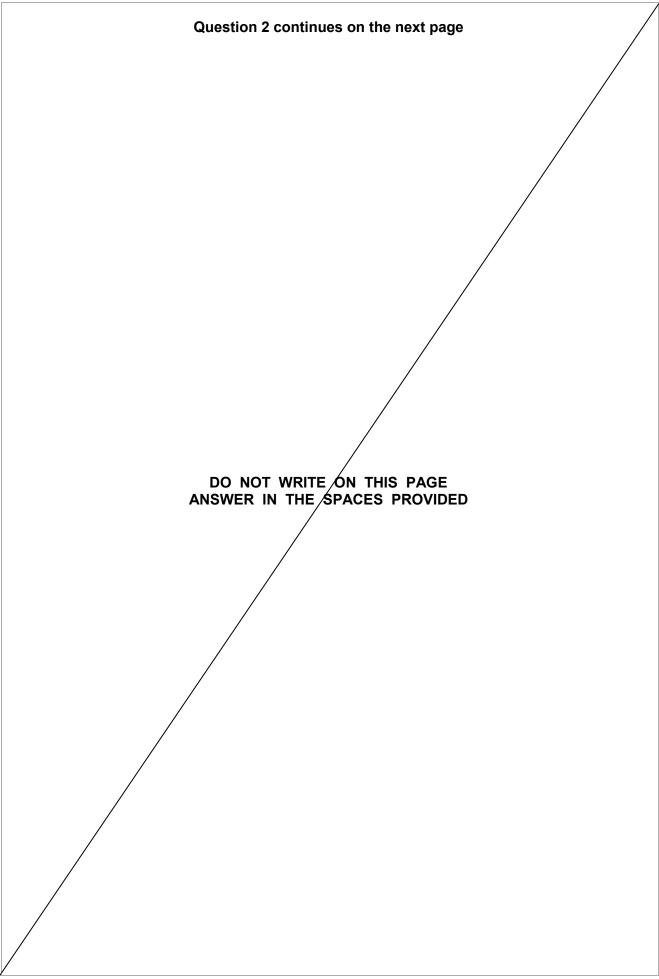


2	(a)	Prepare the income statement for the year ended 31 March 2015.	[8 marks]
		Workings	
		Question 2(a) continues on the next page	



Income staten	Farah ment for the year e	ended 31 March	2015
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2	(b)	Prepare a balance sheet for Farah at 31 March 2015.	[15 marks]
		Workings	



•	
-	
	Farah
	Balance sheet at 31 March 2015

£	£

Total for this question: 31 marks

The balance sheets for Hickey Ltd at 31 May 2015 and 31 May 2014 are as follows:

Hickey Ltd Balance sheet at 31 May 2015

	£	£	£	£
	31 May	31 May	31 May	31 May
	2015	2015	2014	2014
Non-current assets				
Property plant and equipment		347 500		251 900
Current assets				
Inventory	69 500		50 380	
Trade receivables	37 785		52 125	
Cash	-		3 940	
		107 285		106 445
Current liabilities				
Bank overdraft	2 865		_	
Trade payables	48 650		35 266	
Taxation	15 100		14 200	
		66 615		49 466
Net current assets		40 670		56 979
Total assets less current liabilities		388 170		308 879
Non-current liabilities				
8% debenture loans		125 000		150 000
		263 170		158 879
Equity				
Ordinary share capital	131 250		131 250	
Share premium account	26 250		26 250	
Revaluation reserve	49 625		19 700	
Retained earnings	56 045		(18 321)	
rotanioa dariingo		263 170	(10 021)	158 879
		200 170		100 019

Additional information:

- (1) Ordinary shares have a nominal value of £1.75 each.
- (2) Ordinary share dividends were paid during the year at a rate of 10.5p per share based on share capital at 31 May 2014.
- (3) A non-current asset with a net book value of £25 470 was sold during the year at a loss of £5 094.
- (4) A non-current asset was purchased during the year for £123 645.
- (5) A debenture loan was repaid in full on 1 March 2015.
- (6) Taxation on profit for the year ended 31 May 2015 was estimated to be £12 600.
- (7) Land and buildings were revalued during the year.



3	(a)	Prepare the statement of cash flows for the year ended 31 May 2015 in accordance with the requirements of IAS 7.	
		[21 marks [includes 2 marks for quality of presentation	}] 1]
		Workings	
		Question 3(a) continues on the next page	







The directors of Hickey Ltd are concerned that, despite making a profit, the business has experienced a decrease in cash resources.

resources. Use examples from the statement of cash flows to support your answ [10 n



31

Extra space		
-		_

Turn over for the next question



Turn over ▶

Total for this question: 16 marks

Ternent plc is undertaking an expansion programme. As part of this growth, it is intending to acquire £1.12m of new plant and equipment to increase the production capacity.

An extract from the financial statements for the year ended 30 April 2015 is as follows:

Non-current liabilities	£
3.5% debenture loans 2035–2037	1 600 000
-	
Equity	
Ordinary share capital at £1.25 each	5 500 000
Share premium account	660 000
Revaluation reserve	168 750
Retained earnings	71 250
	6 400 000

Additional information:

- (1) All existing ordinary shares have been issued at the same price.
- (2) The dividend policy has been to pay dividends at 3% of the nominal share price.

The directors of Ternent plc are considering two alternative options to raise the funding for the expansion.

Option 1:

4

Selling further ordinary shares at the same issue price as the existing shares.

Option 2:

Issuing further 3.5% debenture loans repayable in 2040.

4	Discuss the suitability of both options, considering both financial and any non-financial factors. Recommend the most appropriate option and justify your decision. [16 marks] [includes 2 marks for quality of written communication]





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END OF QUESTIONS

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